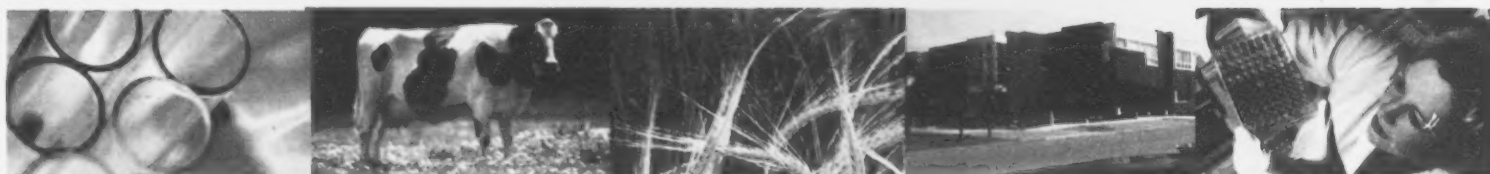


# Agricultural Research Institute of Ontario (ARIO)



Annual Report 2009-2010

## Table of Contents

Ministry Vision and Role of the ARIO.....	2
Letter from the Chair.....	3
Chair and Director's Report .....	4
<b>Financial Information</b>	
Statement of Management's Responsibility for Financial Reporting .....	5
Auditor's Report .....	6
Combined Statement of Financial Position .....	7
Combined Statement of Revenue and Expenditures .....	8
Notes to the Financial Statements .....	9
Schedule 1 – Research Trust Fund: Financial Position .....	14
Schedule 2 – Research Trust Fund: Revenues and Expenditures .....	15
Schedule 3 – Statement of Cash Flows .....	16
Notes to the Financial Statements for the Year Ended March 31, 2010 .....	17
<b>ARIO Highlights for 2009 – 2010 .....</b>	<b>18-19</b>

## Ministry Vision and Role of ARIO

### Ministry Vision

*"Thriving rural Ontario, agriculture, and food sectors."*

### Ministry Mission

*"A catalyst for transforming our agriculture and food sectors and rural communities for a healthy Ontario."*

The Ontario Ministry of Agriculture, Food and Rural Affairs invests significantly in research, education, technology transfer and analytical and diagnostic services to achieve the above vision. A strategic and coordinated priority setting system is integral to funding excellent research. The Agricultural Research Institute of Ontario is an important part of such a system.

### Role of the Agricultural Research Institute of Ontario (ARIO)

The Agricultural Research Institute of Ontario (ARIO) fills a unique role in providing advice on strategic directions for research activities that contribute to prosperous, competitive and sustainable agricultural, food and rural sectors in Ontario. The Institute was created in 1962 under the *Agricultural Research Institute of Ontario Act R.S.O. 1990, C.A. 13* as amended and reports to the Minister of Agriculture, Food and Rural Affairs. ARIO's mandate, as defined by the Act, is to advocate areas of research for the betterment of agriculture, veterinary medicine and household sciences and to increase production efficiency and marketing of agricultural products by stimulating interest in research.

### ARIO Mission Statement:

ARIO, as appointed representatives of the agri-food sector, are dedicated to the strategic use of science and innovation to enhance the sustainability and profitability of Ontario's agri-food and rural sectors.

ARIO is comprised of up to 15 members appointed by the Minister of Agriculture, Food and Rural Affairs.

### 2009 -2010 ARIO Members

	<u>Appt. Date</u>	<u>Exp. Date</u>
Dr. Rebecca Baker	Oct. 26, 2009	Oct. 25, 2012
Mr. Stewart Cressman	Aug. 31, 2005	Nov. 14, 2011
Dr. Om P. Dangi	Dec. 1, 2008	Nov. 30, 2011
Dr. Moni Eino	July 17, 2007	Dec. 23, 2011
Mr. Greg Hannam	Dec. 14, 2004	May 29, 2011
Mr. Paul Henderson	Dec. 23, 2008	Dec. 22, 2011
Ms. Elizabeth Johnston	Sept. 22, 2009	Sept. 21, 2012
Dr. Larry Milligan	July 13, 2007	July 13, 2013
Mr. Larry Skinner	Nov. 15, 2006	Nov. 14, 2012
Dr. Gord Surgeoner	June 2, 2005	Nov. 14, 2011
Mr. Ezio DiEmanuele (ex officio)	Feb. 1, 2005	

### Secretariat support to ARIO is provided by the Research and Innovation Branch (OMAFRA):

Mike Toombs, Director  
Rob Cunningham, CA, Comptroller  
Stacy Favrin, Acting Manager – Research Program Coordination  
Jean Knowlton, Acting Manager – Finance, Infrastructure and Administration

## Letter from the Chair

Guelph, Ontario  
August 11, 2010

Honourable Carol Mitchell  
Minister of Agriculture, Food and Rural Affairs  
Legislative Buildings  
Toronto, Ontario M7A 1A3

Dear Minister Mitchell,

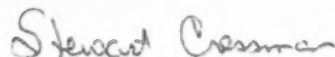
I am pleased to submit the 46<sup>th</sup> annual report of the Agricultural Research Institute of Ontario (ARIO) for the fiscal year April 1, 2009 to March 31, 2010.

We are pleased with the continued progress achieved by the Institute over the past year. Our achievements include: the continued support for the implementation of a new research priority-setting system; building further support for our Reinvestment Strategy in order to forge an industry-government-university partnership to design, build and operate a second research centre of agri-food excellence (the proposed Elora Livestock, Environment and Energy Complex); the development of criteria to guide reinvestment and rationalization opportunities for our current infrastructure portfolio. In addition, the Institute continued to provide managerial oversight for the operation of our 14 research stations and three regional campuses, along with the administration of competitive research funds in an efficient, effective and transparent manner.

The Agricultural Research Institute of Ontario continues to be encouraged by the ministry's receptiveness to our advice. We value the excellent work done by the ministry and its staff in working with us to implement our recommendations so that we truly achieve our mandate.

This report includes the audited financial statements for the fiscal year ended March 31, 2010 and summarizes the activities of the ARIO over the past fiscal year. I trust you will find the information useful.

Sincerely,



Stewart Cressman  
Chair, Agricultural Research Institute of Ontario

## Chair and Director's Report

The 2009-2010 fiscal year was another exciting and active year for the Agricultural Research Institute of Ontario (ARIO). This year saw the implementation of the new research priority setting system, the development of a multi-year business plan to guide the activities of ARIO over the next three years, and the continued development of the strategy to revitalize the province's agri-food research platforms into true platforms for demand-driven research – known as the Reinvestment Strategy.

ARIO moved two key milestones to advance the Reinvestment Strategy. First, ARIO harnessed stakeholder support for the second centre under the strategy, Elora/Mission 2050, which will support multidisciplinary research in dairy, swine, poultry, energy and environment. (Planning for this centre continues with strong engagement from three key partners - the provincial government, the University of Guelph, and industry.) The second key milestone to advance the Reinvestment Strategy is the development of criteria that ARIO will use to determine to target investments. These criteria will be based on the attributes the future agri-food research infrastructure system will have once the strategy is implemented. The criteria will be informed by a review of jurisdictions who lead in agri-food research and the attributes their research infrastructure have such as:

- Shared involvement with all partners and beneficiaries in the sector;
- A move towards discovery and commercialization of value-added products;
- Market and receptor driven research, development and adaptation; and
- Strong leadership on a regional and sector basis to determine future needs.

Ontario has the benefit of having an agriculture sector poised for success. Together, the agricultural community of farmers, researchers, government partners and industry partners form the agri-food knowledge economy, discovering new knowledge and expediting the launch of innovations that create healthy and safe food, such as OMEGA 3 eggs and DHA milk.

Facilitating system change to manage and revitalize the network of research infrastructure has never been more important as Ontario explores the opportunities to secure its competitive edge in the global economy.

ARIO members are privileged to provide a unique voice for the agri-food research system, particularly during this special time when the focus of research is shifting to better enable the delivery of new knowledge and the resulting innovative agri-food products that make Ontario competitive on the world stage.

ARIO's mission is to harness the expertise and energy of partners across the agri-food system to facilitate leadership in agri-food research and investment in research platforms, the essential tools for new knowledge, innovations and market-popular products that yield strong returns.

With focus and much energy, we look forward to the next year of research and forging deeper partnerships across the agri-food system. After all, without the commitment from partners to truly transform the research landscape into one that fully supports innovation and value-added products, Ontario's competitive edge in the global economy remains merely a possibility and not a long-term reality.

Stewart Cressman  
Chair, Agricultural Research Institute of Ontario

Karen Chan, Director of Research  
Agricultural Research Institute of Ontario



## Financial Information

### Statement of Management's Responsibility for Financial Reporting

The accompanying financial statements of the Agricultural Research Institute of Ontario (ARIO) have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. These financial statements have been prepared within reasonable limits of materiality with information available up to and including May 19, 2010.


In discharging its responsibility for the integrity of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

The financial statements have been examined by RLB LLP, independent external auditors appointed by the Ontario Ministry of Agriculture, Food and Rural Affairs on behalf of ARIO. The external auditors' responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and opinion.

On behalf of management:



Karen Chan  
Director of Research



Rob Cunningham, C.A.  
Comptroller



Chartered Accountants  
and Business Advisors

People Count.

#### AUDITORS' REPORT

To the Members of: Agricultural Research Institute of Ontario

We have audited the statement of financial position of Agricultural Research Institute of Ontario as at March 31, 2010 and the statements of revenues and expenditures and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2010 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

RLB LLP

Guelph, Ontario  
May 19, 2010

Chartered Accountants  
Licensed Public Accountants

## Financial Information

### Statement 1

#### Statement of Financial Position as at March 31, 2010

<b>ASSETS</b>		
	<b>2010</b> (schedule 1)	<b>2009</b>
Cash	\$ 164,872	2,457,643
Temporary investments	8,886,098	8,097,554
Accounts receivable	405,618	415,639
Capital assets under construction	1,127,537	0
Capital assets (note 4)	<u>54,660,104</u>	<u>56,706,068</u>
	<u>\$ 65,244,229</u>	<u>\$ 67,676,904</u>
<b>LIABILITIES</b>		
Accounts payable and accruals	\$ 1,295,866	\$ 978,115
Holdbacks payable	471,983	510,612
Unclaimed expenditures	5,955,158	6,985,970
Deferred revenue	23,211	0
Deferred capital funded contributions (note 5)	1,150,000	0
Deferred capital contributions (note 6)	<u>40,419,333</u>	<u>42,617,195</u>
	<u>49,315,551</u>	<u>51,091,892</u>
<b>NET ASSETS</b>		
Fund balances	<u>15,928,678</u>	<u>16,585,012</u>
	<u>\$ 65,244,229</u>	<u>\$ 67,676,904</u>

See accompanying notes



## Statement 2

### Statement of Revenues and Expenditures and Changes in Fund Balances for the Year Ended March 31, 2010

	2010 (schedule 2)	2009
<b>REVENUES</b>		
<b>Research</b>		
Grants - Provincial (note 9)	\$ 2,100,000	\$ 2,675,724
Grants - Federal	0	230,000
Grants - other	100,000	100,000
Royalties	<u>944,784</u>	<u>879,007</u>
	<u>3,144,784</u>	<u>3,884,731</u>
<b>Property</b>		
Grants - Provincial - Minor Capital (note 9)	4,000,000	4,000,000
Elora Livestock Environmental and Energy Complex (note 9)	0	250,000
Rental income - Provincial	318,495	320,235
Rental income - Private industry	681,020	626,848
Operations and Maintenance - Provincial	388,583	388,832
Operations and Maintenance - Private industry	3,000	6,887
Transfer payments - payments in lieu of taxes (note 9)	550,000	357,000
Payments in lieu of taxes	65,529	65,529
Amortization of deferred capital contribution	<u>2,030,413</u>	<u>2,170,289</u>
	<u>8,037,040</u>	<u>8,185,620</u>
<b>Other</b>		
Investment income	<u>260,988</u>	<u>458,453</u>
	<u>11,442,812</u>	<u>12,528,804</u>
<b>EXPENDITURES</b>		
<b>Research</b>		
Research project\program	3,477,764	3,548,986
Royalty expenses	<u>915,572</u>	<u>752,417</u>
	<u>4,393,336</u>	<u>4,301,403</u>
<b>Property</b>		
Payments in lieu of taxes	684,943	651,759
Minor capital	5,217,654	4,770,418
Elora Livestock Environmental and Energy Complex	0	39,420
Operations and maintenance	678,267	625,936
Amortization of capital assets	<u>2,034,894</u>	<u>2,170,289</u>
	<u>8,615,758</u>	<u>8,257,822</u>
<b>Other</b>		
Other expenses	<u>17,258</u>	<u>216,892</u>
	<u>13,026,352</u>	<u>12,776,117</u>
<b>NET EXPENDITURES OVER REVENUES for the year</b>	<u>(1,583,540)</u>	<u>(247,313)</u>
<b>FUND BALANCES, beginning of year</b>	<b>16,585,012</b>	<b>19,274,151</b>
<b>NET AMOUNT TRANSFERRED FROM (TO) UNCLAIMED EXPENDITURES</b>	<b>1,030,811</b>	<b>(2,523,242)</b>
<b>UNREALIZED (DEPRECIATION) APPRECIATION IN INVESTMENTS</b>	<b>(19,320)</b>	<b>81,416</b>
<b>CONTRIBUTED ASSETS (note 7)</b>	<b>(38,000)</b>	<b>0</b>
<b>FUNDS RETURNED TO PROVINCIAL GOVERNMENT</b>	<b>(46,285)</b>	<b>0</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 15,928,678</b>	<b>\$ 16,585,012</b>

### Statement 3

#### Statement of Cash Flows for the Year Ended March 31, 2010

	2010	2009
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Net expenditures over revenues for the year	\$ (1,583,540)	\$ (247,313)
Items not requiring an outlay of cash		
Amortization	2,034,894	2,170,289
Unrealized (depreciation) appreciation in investments	(19,320)	81,416
Deferred capital contributions	<u>(2,030,413)</u>	<u>(2,170,289)</u>
	(1,598,379)	(165,897)
Changes in non-cash working capital		
Accounts receivable	10,021	122,498
Temporary investments	(788,544)	2,133,230
Accounts payable and accruals	317,751	87,996
Deferred capital funded contributions	1,150,000	0
Holdbacks payable	(38,629)	194,770
Funds returned to government	(46,285)	0
Deferred revenue	<u>23,211</u>	<u>0</u>
	<u>(970,854)</u>	<u>2,372,597</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Additions to capital assets	(194,380)	0
Capital assets under construction	<u>(1,127,537)</u>	<u>0</u>
	<u>(1,321,917)</u>	<u>0</u>
<b>NET (DECREASE) INCREASE IN CASH for the year</b>	(2,292,771)	2,372,597
<b>NET CASH, beginning of year</b>	<u>2,457,643</u>	<u>85,046</u>
<b>NET CASH, end of year</b>	<u><u>164,872</u></u>	<u><u>2,457,643</u></u>

See accompanying notes

## Notes to the Financial Statements for the Year Ended March 31, 2010

### 1. NATURE OF BUSINESS

The Agricultural Research Institute of Ontario (ARIO) is a non-profit corporate body reporting directly to the Ministry of Agriculture, Food and Rural Affairs. It was created by the ARIO Act (1962) with specific responsibilities over the co-ordination and direction of agricultural research programs in Ontario. These programs relate to a broad range of commodities and disciplines, covering all aspects of the agri-food system. In addition, ARIO manages the Vegetation Management Alternatives Program research fund on behalf of the Ministry of Natural Resources, and all funding is provided by the Ministry of Natural Resources.

Funding for programs supported by ARIO is available from three sources. The Ontario Government, through the Ministry of Agriculture, Food and Rural Affairs, is the primary source of funding. The Ontario Government also provides funding for the competitive research programs. The secondary source of funding is the Federal Government, mainly through Agriculture and Agri-Food Canada (AAFC). Under the ARIO Act, the Institute may accept grants and donations for research. Other funds usually come from commercial sources (such as agri-business, marketing boards, and producer associations) and can be either designated for specific projects or non-designated. In addition, with the approval of the Minister of Agriculture, Food and Rural Affairs, ARIO is able to hold patents and earn royalties on research developments.

All receipts are held in trust by the Director of Research and are allocated in accordance with the terms of the funds.

The research funds are managed by the secretariat to ARIO as follows:

- Agricultural Research Institute of Ontario (ARIO)
- Alternative Renewable Fuels (ARF)
- Vegetation Management Alternatives Program (VMAP)
- New Directions and Alternative Renewable Fuels Research Program
- Food Safety Research Program
- Nutrient Management Joint Research Program (NMJRP)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

#### (a) BASIS OF ACCOUNTING

Agricultural Research Institute of Ontario follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate research trust fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate research trust fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### (b) INVESTMENTS

Investments classified as available-for-sale are recorded at market value. Investments classified as held-to-maturity are recorded at amortized cost. Unrealized gains and losses on available-for-sale financial assets are included directly to the fund balance until the asset is removed from the statement of financial position.

#### (c) UNCLAIMED EXPENDITURES

Unclaimed expenditures are defined as the total approved budget for competitive research projects less expenses incurred to date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CAPITAL ASSETS

Capital assets are amortized using the following annual rate and method:

Buildings - 40 year straight line

(e) IMPAIRMENT OF LONG LIVED ASSETS

Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(f) DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions are amortized at the same rate as the buildings to which they relate.

(g) INCOME TAXES

ARIO is a non-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

(h) RESTRICTIONS ON THE EXPENDITURE OF FUNDS

The purpose, funding, terms and conditions and duration of each research trust fund are stipulated in the relevant Order-in-Council, memorandum of understanding or Ministry correspondence.

(i) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

## 3. FINANCIAL INSTRUMENTS

Credit risk management

The organization's financial instruments consist of cash, temporary investments, accounts receivable, accounts payable and accrued liabilities, and holdbacks payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, liquidity, currency or credit risks arising from these financial instruments.

The organization does not have a significant exposure to any individual customer or counterpart.

Fair value of financial assets and financial liabilities

The carrying values of cash, temporary investments, accounts receivable, accounts payable and accrued liabilities, and holdbacks payable approximate their fair value due to the relatively short periods to maturity of these items.

#### 4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2010	Net 2009
<b>Land:</b>				
Cambridge railway line	\$ 9,793	\$ 0	\$ 9,793	\$ 9,793
Colleges	3,095,900	0	3,095,900	3,099,400
Research Stations	<u>10,945,180</u>	<u>0</u>	<u>10,945,180</u>	<u>10,979,680</u>
	<u>14,050,873</u>	<u>0</u>	<u>14,050,873</u>	<u>14,088,873</u>
<b>Buildings:</b>				
Colleges	27,617,995	3,737,031	23,880,964	25,229,034
Research Stations	<u>19,514,842</u>	<u>2,786,575</u>	<u>16,728,267</u>	<u>17,388,161</u>
	<u>47,132,837</u>	<u>6,523,606</u>	<u>40,609,231</u>	<u>42,617,195</u>
	<u>\$ 61,183,710</u>	<u>\$ 6,523,606</u>	<u>\$ 54,660,104</u>	<u>\$ 56,706,068</u>

As at March 6, 2007, the titles for capital assets (land and buildings) with a carrying value of approximately \$60.9 million were transferred to ARIO from the Government of Ontario. Carrying value is being used as the transfer value since the transfer took place between non-arm's length parties, is non-monetary in nature and does not have commercial substance. As an agency of the Government of Ontario, ARIO reports these capital assets (and other assets and liabilities) in consolidation with the Ministry of Agriculture, Food and Rural Affairs on an annual basis.

#### 5. DEFERRED CAPITAL FUNDED CONTRIBUTIONS

The organization received funding from the provincial government (Ontario Ministry of Agriculture, Food and Rural Affairs) towards a capital project undertaken during the fiscal year known as Elora Mission 2050. The project is estimated to be completed in 2012.

#### 6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the net book value of the buildings transferred to ARIO from the Government of Ontario. A subsequent review of the transfer of capital assets revealed that the Woodstock location had nine buildings that should have been included in the transfer but were not, and one building that was included in the transfer of assets that should not have been. In addition, two buildings at Cedar Springs were not included in the transfer. These adjustments are reflected in this year's annual report.

#### 7. CONTRIBUTED ASSETS

Contributed assets represent the cost of the land transferred to ARIO from the Government of Ontario. A subsequent review of the transfer of capital assets revealed that the Woodstock location had land that was included in the valuation that should not have been and there were errors in the cost of land at the Alfred and Winchester locations. These adjustments are reflected in this year's financial statements.



8. ARIO RESEARCH FUND

	Seed Royalty	Technology Royalty	Unpledged Equity	Total 2010	Total 2009
Grant income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 130,000
Royalties	671,131	273,653	0	944,784	879,007
Investment income	<u>24,319</u>	<u>27,630</u>	<u>10,011</u>	<u>61,960</u>	<u>105,568</u>
	695,450	301,283	10,011	1,006,744	1,114,575
Expenses	<u>683,571</u>	<u>237,483</u>	<u>11,776</u>	<u>932,830</u>	<u>987,145</u>
Net surplus (deficit) for the year	11,879	63,800	(1,765)	73,914	127,430
Fund balance, beginning of year	1,001,513	846,350	133,383	1,981,246	1,667,771
2009 proof of principal payment	(125,000)	125,000	0	0	0
Transfer from (to) LAIF	65,809	65,809	(131,618)	0	131,618
Unrealized (depreciation) appreciation in investments	(2,644)	(3,050)	0	(5,694)	16,445
Transfer from unclaimed expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,532</u>
Fund balance, end of year	<u>\$ 951,557</u>	<u>\$ 1,097,909</u>	<u>\$ 0</u>	<u>\$ 2,049,466</u>	<u>\$ 1,979,796</u>

9. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT

The following grants have been received from the Ontario Ministry of Agriculture, Food and Rural Affairs:

	2010	2009
New Directions Research Program	\$ 1,350,000	\$ 1,350,000
Food Safety Research Program	500,000	500,000
Nutrient Management Joint Research Program	0	575,724
Alternative Renewable Fuels	<u>250,000</u>	<u>250,000</u>
	2,100,000	2,675,724
Minor capital	4,000,000	4,000,000
Elora Livestock Environmental and Energy Complex	1,150,000	250,000
Payments in lieu of taxes	<u>550,000</u>	<u>357,000</u>
	<u>\$ 7,800,000</u>	<u>\$ 7,282,724</u>



**10. CAPITAL DISCLOSURES**

The organization defines capital as the sum of fund balances and is calculated as follows:

	2010	2009
Fund balances, being capital	<u>\$ 15,928,678</u>	<u>\$ 16,585,012</u>

The organization's objective when managing capital is to safeguard the organization's ability to continue as a going concern and to hold sufficient fund balances to enable it to withstand negative unexpected financial events in order to maintain stability in the financial structure.

The organization seeks to maintain sufficient liquidity and short term borrowing capacity to enable it to meet its obligations as they become due. The organization manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the organization may modify or seek additional government funding.

The organization is not subject to externally imposed capital requirements.

**11. COMPARATIVE FIGURES**

Prior year's figures have been reclassified to conform to the current year's presentation.

## Financial Information

Research Trust Funds  
Schedule 1 - Financial Position  
As at March 31, 2010

	ARIO	Infrastructure	ARF	VMAP	New Directions	Food Safety	NMURP	Eliminations	March 31, 2010 Total  (statement 1)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>									
Cash	164,872								164,872
Temporary investments	8,886,098								8,886,098
Due from ARIO		1,882,415	876,376	299,960	2,551,049	818,439		(6,428,239)	0
Accounts receivable	155,347	230,249	3,859	1,321	11,237	3,605			405,618
Capital assets under construction		1,127,537							1,127,537
Capital assets (note 4)	9,793	54,650,311							54,660,104
	<u>9,216,110</u>	<u>57,890,512</u>	<u>880,235</u>	<u>301,281</u>	<u>2,562,286</u>	<u>822,044</u>	<u>0</u>	<u>(6,428,239)</u>	<u>65,244,229</u>
<b>Liabilities</b>									
Due to other research trust funds	6,428,239							(6,428,239)	0
Accounts payable and accruals	738,405		82,422	32,227	347,398	95,414			1,295,866
Holdbacks payable			41,040	59,280	346,019	25,644			471,983
Unclaimed expenditures			359,369	140,824	4,536,332	918,633			5,955,158
Deferred revenue		23,211							23,211
Deferred capital funded contributions (notes 5 & 9)		1,150,000							1,150,000
Deferred capital contributions (note 6)		40,419,333							40,419,333
	<u>7,166,644</u>	<u>41,592,544</u>	<u>482,831</u>	<u>232,331</u>	<u>5,229,749</u>	<u>1,039,691</u>	<u>0</u>	<u>(6,428,239)</u>	<u>49,315,551</u>
<b>Fund balances</b>	<u>2,049,466</u>	<u>16,297,968</u>	<u>397,404</u>	<u>68,950</u>	<u>(2,667,463)</u>	<u>(217,647)</u>	<u>0</u>		<u>15,928,678</u>
	<u>9,216,110</u>	<u>57,890,512</u>	<u>880,235</u>	<u>301,281</u>	<u>2,562,286</u>	<u>822,044</u>	<u>0</u>	<u>(6,428,239)</u>	<u>65,244,229</u>

See accompanying notes

## Financial Information

Research Trust Funds  
Schedule 2 - Revenues  
As at March 31, 2010

	ARIO	Infrastructure	ARF	VMAP	New Directions	Food Safety	NMJRP	March 31, 2010 Total
	(note 8)							(statement 2)
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
<b>Research</b>								
Grants - Provincial			250,000		1,350,000	500,000		2,100,000
Grants - Federal								0
Grants - Other			100,000					100,000
Royalties	944,784							944,784
	944,784	0	350,000	0	1,350,000	500,000	0	3,144,784
<b>Property</b>								
Grants - Provincial - Minor Capital		4,000,000						4,000,000
Rental income - Provincial		318,495						318,495
Rental income - Private industry		681,020						681,020
Operations and Maintenance - Provincial		388,583						388,583
Operations and Maintenance - Private industry		3,000						3,000
Transfer payments - payments in lieu of taxes		550,000						550,000
Payments in lieu of taxes		65,529						65,529
Amortization of deferred capital contribution		2,030,413						2,030,413
	0	8,037,040	0	0	0	0	0	8,037,040
<b>Other</b>								
Investment income	61,960	62,426	16,742	13,314	82,195	24,351		260,988
	1,006,744	8,099,466	366,742	13,314	1,432,195	524,351	0	11,442,812

See accompanying notes

## Financial Information

Research Trust Funds  
Schedule 2 - Expenditures  
As at March 31, 2010

### Expenditures

	ARIO	Infrastructure	ARF	VMAP	New Directions	Food Safety	NMJRP	March 31, 2010 Total
	(note 8)							(statement 2)
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Research</b>								
Research project\program			430,720	276,456	2,333,486	452,318	(15,216)	3,477,764
Royalties	915,572							915,572
	915,572	0	430,720	276,456	2,333,486	452,318	(15,216)	4,393,336
<b>Property</b>								
Payments in lieu of taxes		684,943						684,943
Minor capital		5,217,654						5,217,654
Operations and maintenance		678,267						678,267
Amortization of capital assets		2,034,894						2,034,894
	0	8,615,758	0	0	0	0	0	8,615,758
<b>Other</b>								
Other expenses	17,258							17,258
	932,830	8,615,758	430,720	276,456	2,333,486	452,318	(15,216)	13,026,352
<b>Net revenue (expenses)</b>	73,914	(516,292)	(63,978)	(263,142)	(901,291)	72,033	15,216	(1,583,540)
<b>Fund balance, beginning of year</b>	1,981,246	16,856,250	120,497	80,932	(2,239,453)	(245,529)	31,069	16,585,012
<b>Net amount transferred from (to) unclaimed expenditures</b>			342,742	251,796	478,689	(42,416)		1,030,811
<b>Unrealized depreciation in investments</b>	(5,694)	(3,990)	(1,857)	(636)	(5,408)	(1,735)		(19,320)
<b>Contributed assets</b>		(38,000)						(38,000)
<b>Funds returned to the Provincial Government</b>							(46,285)	(46,285)
<b>Fund balance, end of year</b>	2,049,466	16,297,968	397,404	68,950	(2,667,463)	(217,647)	0	15,928,678

See accompanying notes

## ARIO Highlights for 2009-2010

### General

#### Membership

- Mr. Stewart Cressman was appointed as Chair effective August 31, 2009.
- Ms. Elizabeth Johnston and Dr. Rebecca Baker were appointed as new members.
- Mr. Larry Skinner was reappointed for an additional three year term.

#### Business Plans

- 2010-2013 ARIO multi-year business plan was recently developed and serves as a framework for ARIO's business activities over the coming years. Four key areas of activity are identified:
  - Strategic Advice
  - Leadership
  - Advocacy
  - Managerial Oversight

#### Research

- Supported the implementation of the OMAFRA Research Advisory Network (ORAN), the ministry's new research priority-setting system. ARIO played key advisory role in the establishment of ORAN.
- Established a Research and Commercialization Working Group to discuss intellectual property policy and evaluate ways to accelerate research to commercialization, improve research and business connections and protect taxpayer investments.
- 6 projects were approved for funding under the Food Safety Research Program for a total of \$497,200.
- 11 projects were approved for funding under the New Directions and Alternative Renewable Fuels Research Program for a total of \$1,535,142.

#### Research Highlights:

OMAFRA's new research priority setting system, the OMAFRA Research Advisory Network (ORAN), was launched in June 2009. A successful first round of Theme Advisory Groups were held in 2009 to establish research priorities for the 2009/2010 research cycle. *Updated Priorities and Emerging Issues* documents were produced in seven research theme areas and research programs under the OMAFRA/University of Guelph Partnership were aligned with those priorities. Projects funded under those programs will commence in 2010.

An updated Research Funding Agreement was developed for competitive (non-Partnership) research programs. The revised agreement addresses the recommendations of the ARIO Research and Commercialization Working Group including strengthening language regarding commercializing intellectual property to the direct benefit of Ontario and its economy

#### Infrastructure

The 2009-10 fiscal year was the third full year of ARIO's ownership of 14 agri-food research facilities and three regional campuses of the University of Guelph. The Institute continues to provide efficient property management of agri-food research infrastructure to allow for effective implementation of research priorities.

#### Minor Capital Program

- Received \$4.0 million in funding for the ARIO Minor Capital Program from OMAFRA. This funding is split between building improvements and repairs (\$3.0 million) and program related capital investment (\$1.0 million).
- Supported 164 capital projects worth approximately \$5.9 million. The project priority list was established in consultation with ARIO, OMAFRA and the University of Guelph. Overall program and individual project level management was provided by the University of Guelph with ARIO/OMAFRA oversight.

#### ARIO's Reinvestment Strategy

- Continued to advance ARIO's Reinvestment Strategy. ARIO is actively engaging industry stakeholders, research partners, academia and other levels of government to achieve buy-in and progress for the development of up to five research centres under the Reinvestment Strategy (Vineland Research and Innovation Centre was the first centre, Elora Livestock, Environment and Energy Complex will be the second).
- Initiated development of criteria to review and evaluate current and future research infrastructure needs to support the full implementation of research priorities.
- Continued to raise awareness among research system partners (including industry, the research community and various levels of government), of OMAFRA's research priorities, ORAN, and the Provincial Government's key priorities and identified opportunities for deeper alignment among partners, such as Agriculture and Agri-Food Canada, with respect to research infrastructure.

### **Elora Livestock, Environment and Energy Complex**

- Continued development of the Elora Livestock, Environment and Energy Complex (Mission 2050) at the Elora Research Station. During the year, support for the proposal was received from the industry stakeholders. The University of Guelph hired a project management firm to lead the planning of the facility through consultation with the University, ARIO, OMAFRA and industry stakeholders. Schematic design is essentially completed and the next step will be the development of detailed design.

### **Vineland Research and Innovation Centre**

- Continued to investigate a long-term arrangement with Vineland Research and Innovation Centre with respect to their presence at the Vineland Research Station.
- Progress continued to be made on a site master plan for a new state-of-the-art facility.

### **Arkell Research Station**

- Permission was given for the University of Guelph to allow Canada's Outdoor Shows Limited to hold Canada's Outdoor Equine Expo at the station from June 4 -7, 2010.

### **Guelph Research Station**

- ARIO's Guelph research station is included in the City of Guelph's York District Lands servicing study area and the city's proposed Guelph Innovation District.
- On behalf of ARIO, Research and Innovation Branch staff are working with the Ministry of Energy and Infrastructure and the City of Guelph as strategies for these large provincial land holdings are further developed and communicated.

### **Property Management**

- ARIO completed the transfer of a narrow strip of land (approximately 2 acres in total) along Victoria Road to the City of Guelph for road widening in exchange for construction of berms and other work to protect the research plots from salt spray and road runoff.
- ARIO has over 40 leases with a range of government, public sector and industry tenants.
- One component of property management is the administration of the Payments in Lieu of Taxes (PILS) program across all properties, which totalled approximately \$684,000.